

Message Text

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ORIGIN EB-07

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FM SECSTATE WASHDC
TO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L STATE 121646

E.O. 11652: GDS

TAGS: EGEN, EFIN, EIND

SUBJECT: CASE-POCLAIN ACQUISITION BID

REF: PARIS 15138

1. AS INDICATED REFTEL THE STAFF OF THE FEDERAL TRADE COMMISSION (FTC) RECENTLY RECOMMENDED THAT A COMPLAINT BE ISSUED AGAINST THE ACQUISITION BY CASE OF 40 PERCENT EQUITY INTEREST IN POCLAIN. THE RECOMMENDATION ALSO CALLS FOR FTC TO SEEK A COURT INJUNCTION AGAINST THE ACQUISITION WHICH WE UNDERSTAND IS SCHEDULED TO BE CONSUMMATED ON JUNE 6. SUCH AN ACTION ON THE PART OF FTC WOULD HAVE THE EFFECT OF PREVENTING THE ACQUISITION, AT LEAST TEMPORARILY, PENDING THE OUTCOME OF THE COMPLAINT.

2. THIS IS A RECOMMENDATION OF THE STAFF ONLY, AND IS NOW BEFORE THE DIRECTOR OF THE BUREAU OF COMPETITION (OWEN JOHNSON) FOR HIS JUDGMENT ONE WAY OR THE OTHER. THE MATTER MUST THEN GO BEFORE THE COMMISSIONERS FOR FINAL DECISION. THIS IS SCHEDULED FOR JUNE 1. THUS, THE MATTER

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IS ENTIRELY OPEN AND THE DECISION COULD GO EITHER WAY.

3. THE MAY 18 LETTER FROM FINANCE MINISTER DELEGATE BOULIN HAS BEEN DELIVERED TO FTC CHAIRMAN MICHAEL PERTSCHUK, AND

JOHNSON HAS A COPY. ALSO, JOHNSON HAS A COPY OF REFTEL. A DEPARTMENT OFFICER SPOKE WITH JOHNSON ON MAY 25 AND

INDICATED THE SERIOUS CONCERN OF THE GOF IN THIS MATTER. IN THIS CONNECTION WE DREW ON THE POINTS MADE IN REFTEL AS WELL AS THE BOULIN LETTER. WE POINTED OUT THAT THE CASE-POCLAIN ACQUISITION WAS OF MAJOR ECONOMIC AND POLITICAL CONSEQUENCE IN FRANCE, THAT IT HAD BEEN APPROVED BY GOF, AND THAT IT WAS OUR UNDERSTANDING THAT FRENCH NATIONAL BANKS HOLD A SIGNIFICANT PORTION (UP TO 60 PERCENT) OF POCLAIN'S DEBT. MOREOVER, WE UNDERLINED BOULIN'S ASSERTION THAT NON-IMPLEMENTATION OF THE ARRANGEMENT WOULD CARRY A GREAT RISK THAT POCLAIN WOULD HAVE TO CEASE SOME OF ITS ACTIVITIES, AND CERTAINLY THOSE OF ITS AFFILIATE IN THE U.S. WE REQUESTED THAT JOHNSON TAKE THESE FACTORS INTO ACCOUNT IN HIS DELIBERATIONS.

4. JOHNSON SAID THAT MANY OF THESE CONSIDERATIONS BECAME EVIDENT IN EARLIER SESSIONS THE FTC HAD WITH REPRESENTATIVES OF THE FRENCH EMBASSY AND IN A SEPARATE MEETING WITH REPS OF CASE AND POCLAIN. INCLUDED IN THE FACTORS WHICH THE FTC IS EXAMINING IN THIS MATTER ARE (1) WHETHER POCLAIN IS IN THE CATEGORY OF A "FAILING" INDUSTRY AND (2) WHETHER THERE ARE OR HAVE THERE BEEN OTHER PROSPECTIVE INVESTORS WHO ARE CAPABLE OF ENTERING INTO AN ARRANGEMENT WITH POCLAIN WHICH IS LESS ANTI-COMPETITIVE THAN THE CASE OFFER. THE FIRST POINT SEEMS TO BE ESTABLISHED, BUT THE SECOND IS VERY MUCH IN QUESTION.

5. THE GOF HAS NOT COMMUNICATED TO THE DEPARTMENT ON THIS MATTER. IT IS thus DIFFICULT AND INAPPROPRIATE FOR US TO ARGUE THE MERITS OF THE CASE WITH THE FTC, ESPECIALLY WHEN CONFIDENTIAL

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WE LACK INFORMATION OTHER THAN THAT IN THE BOULIN LETTER AND THE EMBASSY'S REPORTS. THUS WE ARE NOT IN A POSITION AT THE PRESENT TO DO MORE. IF GOF WISHES TO MAKE FURTHER REPRESENTATIONS, THIS IS OF COURSE POSSIBLE. A MEETING AT THE APPROPRIATE LEVEL WITH THE FTC COULD BE ARRANGED, THOUGH THIS SHOULD BE DONE BY JUNE 1. FOR EXAMPLE, A SENIOR FRENCH EMBASSY OFFICIAL IN WASHINGTON MIGHT WISH TO CALL ON CHAIRMAN PERTSCHUK ON TUESDAY, MAY 31 (MONDAY IS A HOLIDAY). WE WOULD BE PLEASED TO ASSIST THE GOF IN MAKING WHATEVER FURTHER PRESENTATION IT DEEMS APPROPRIATE.

6. JOHNSON IS SLATED TO MAKE HIS RECOMMENDATION TO THE FTC COMMISSIONERS BY MAY 27. WE WILL KEEP THE EMBASSY APPRISED OF DEVELOPMENTS. VANCE

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